



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

WHY AMERICAN INDUSTRY LANGUISHES.

BY THE HON. HILARY A. HERBERT, SECRETARY OF THE NAVY.

NO FIGURES are required to prove that the people of the United States are not to-day in a prosperous condition. General depression began early in the winter of 1892-3, and in the summer of 1893 developed into a disastrous panic. The ensuing Congress, after a long and acrimonious discussion, repealed the Sherman law, which had provided for the monthly purchase of 54,000,000 ounces of silver. Throughout this discussion the advocates of the free and unlimited coinage of silver had contended that "hard times" were the outcome of a scarcity of money and that free silver was the only remedy. The friends of "sound money" argued that the continued purchase of silver bullion and the issuance of treasury-notes based upon this bullion had begotten a want of confidence in our currency system and that this was the cause of business depression. Without stopping here to inquire which, if either, had the right of the question, the fact cannot be denied that the repeal of the Sherman law was followed by a temporary revival of business and a smart increase of prices; which, however, did not cause the leading advocates of free silver to cease their demands.

In the meantime, the Wilson revenue law had been passed, containing provision for an income tax. When the question was brought before it, the Supreme Court declared this tax unconstitutional. This decision created widespread discontent, and added much strength to the Populist party, which for years had been advocating not only an income tax but also various plans for the increase of our currency, and among them the free and unlimited coinage of silver. The Wilson law would have brought in sufficient revenue if the provision for an income tax had been able to stand before the bar of the Supreme Court. As it was, there was

a deficiency of revenue, and then the Republican party aligned itself in a vigorous assault on the Wilson law, declaring with loud emphasis that trade had been destroyed because some of the burdens it had previously carried had been lifted from it. All the woes of the country, it was said, came from the passage of that act.

From some cause or other it resulted that, in the fall and winter of 1895-96, the tide of returning confidence was checked, and gold again began to be exported in large quantities. Whether this was the outcome of the joint assaults made upon the executive department of the government by the advocates of free silver in and out of the Populist party on the one hand, and by the Republican party on the other, it is bootless now to inquire; but it soon came about that it was necessary to sell bonds for gold with which to maintain the credit of the country. No other means has ever been pointed out by which the Administration could have maintained each dollar issued by the government at par with every other dollar as required by law. The Congress had rejected every plan submitted to it by the Secretary of the Treasury, and would provide no scheme of its own. The sale of bonds, which was twice repeated, necessarily increased the debt, and this added fuel to the flames of discontent. Out of this discontent came the Chicago platform and the Chicago nominations. The candidate for the Presidency, standing upon that platform, is acceptable to the Populist party, and so Populists and Democrats combined are waging a great campaign based upon the allegation that the hard times in the United States are directly traceable to the want of a law for the unlimited coinage of silver.

It is sometimes but not always possible to satisfactorily assign causes for monetary crises. The panic of 1837, for example, was undoubtedly caused by over-speculation and over-issues of bank notes, cheap money. The panic of 1857, though not so severe or so lasting, it has always been difficult to account for. What caused and what is prolonging the effects of the panic of 1893 is a question which is now the subject of debate throughout the United States, and there is no doubt but that the masses of the people are anxiously seeking to find out the truth of this matter.

The adherents of Mr. Bryan, in support of their claim that the so-called "crime of 1873" is responsible for present conditions, are contending that free silver countries are all prospering,

and Mexico especially they point to as proving the truth of the assertion. That the industries of Mexico are improving, that her exports and imports are increasing, may be admitted and readily accounted for. Under President Diaz she has enjoyed internal peace, entire freedom from any serious or damaging attempts at domestic revolution, for a period now extending through some sixteen years or more, which is absolutely unprecedented in her history since 1820. This would be sufficient to account for quite as much progress as she is making, without taking into consideration her railroad system, which has now been completed and which is aiding in her development. But notwithstanding all favoring circumstances, economic conditions in Mexico, although she occupies vast areas of undeveloped territory, are far below those existing in the western part of the old world, and the miserable stipends being paid to Mexican laborers are very much lower than the wages now received by European workmen, while the Mexican gets only about one-fourth as much as the American. If those who are comparing progress in Mexico with the want of progress in our country should care to extend the range of their observations, they might safely assert that there is now no country in the civilized world, natural advantages considered, that is so unprosperous as the United States, no matter what their tariff systems or their money systems may be.

The writer left America on the 12th of August, deeply impressed with the distressful conditions prevailing at home. He landed in England on the 19th, and was at once struck with the fact that he was in a prosperous country. Everywhere smoke was going up from factory chimneys, everywhere people were at work, and nowhere, in any newspaper, did he see any complaint of hard times. Reports of the earnings of English railways for the past half-year were just being published. Summarizing the net revenues of the twelve principal companies, it appeared that these showed an aggregate increase, as compared with the corresponding period of last year, of \$5,600,000, or nine per cent. The *London Times* said, in discussing the question, that "this permitted the boards of all the companies to declare most satisfactory dividends." It goes without saying that "satisfactory dividends" by its chief railways clearly indicate the general prosperity of a country. An intelligent Ameri-

can, who is superintendent of the largest coke works in the United States, when the writer called his attention to these dividends, not only agreed to the above conclusion, but added that he had recently been through the iron and coke regions in England and Germany, and found all their industries prospering; all seemed to have orders ahead, and in Germany there were, as a rule, advance orders for twelve months to come. He added that the iron industries of France were also prospering, and that is found to be true. In Paris it is agreed on all sides that France is rapidly emerging from the depression that has recently affected to a greater or less extent all great industrial nations. Statistics as to exports and imports for the past eight months were recently published. As compared with the corresponding period of last year, the exports of raw materials for manufactories have fallen off 33,372,000 francs. This year the French workmen want these materials at home. Not only so, but they need and have imported during these eight months 114,433,000 francs more of such material than they consumed during the same months of last year. This means that there is and is to be plenty of labor for the French working man. This is further indicated by the fact that the exports of manufactured goods show an increase up to August 31, of 41,413,000 francs. Why should not workmen in the United States share this reviving prosperity with the laborers of England, France, and Germany? Opportunities in our own country are certainly greater than in Europe.

If we consult our own memories, and especially if we examine the statistics of exports and imports, we find that the period of depression now so much discussed commenced in the United States in the winter of 1892-3, and that also, much about the same time, signs of business distress, not, however, so aggravated, began to be observable in the other principal countries of the world. It is argued now that all this depression was caused by the demonetization of silver, although that demonetization, in so far as it existed, took place twenty years before the period of depression set in. In view of all that occurred during that twenty years, nothing would seem to be more illogical. That widespread depression did exist, and that it still exists with us in an aggravated form cannot be disputed; but it is equally indisputable that the decade from 1881 to 1890, in-

clusive, was a period of almost unprecedented prosperity for all great industrial peoples, with one exception, and that exception was France. The exports and imports of France fell off 55 millions of dollars in 1883, 193 millions in 1884, and 121 millions in 1885. When it is remembered that France has more money per capita than any other nation, it may be well to point out these facts to illustrate that prosperity does not depend upon the amount of money in circulation. A fair amount of money is necessary, but other circumstances must always be considered ; and it is only fair to say that but for the ravages of the phylloxera, which largely destroyed its vines, and for other crop disasters, industrious France would during this period have prospered as much, perhaps, as the Germans and others who had far less money per capita. The period from, say 1875 to 1891, inclusive, may, therefore, be pointed to as an era during which America and all Europe prospered, save only where local causes interfered. Now, this prosperous period began just after the silver dollar had been dropped from the coinage laws of the United States by what is called the "crime of 1873," and just after silver had ceased to be coined in France, Germany, and other European countries. Was the general stoppage of the coinage of silver which took place in America, and in most of the countries of Europe, prior to the end of the year 1874, the cause of the prosperity which followed ? It would be far more reasonable to say that it was than it now is to attribute to this same cause the business depression of to-day in America. Effect usually follows cause promptly unless there be something to prevent. If we would find the effects of this act of 1873, let us go nearer than 1893.

Speaking from memory, Germany and France had both entirely stopped the coinage of legal-tender silver by the end of 1874.

The following table, from a volume of *Commercial Relations of the United States*, contains instructive figures. The table is copied in full from the beginning down to and including the year 1891. A rest is made at the end of 1874 to get the averages of imports and exports as far back as the table gives them in each case. Thenceforward the average is taken for each six years. Allowing for natural variations in particular years, the progress of the three countries was steady from the date when they had severally ceased to coin silver. The United States made

the most rapid strides, increasing her business from 1,046 to 1,548 millions at the last average taken. Our most notable advance was in the year 1880, the year after we had reached a specie basis.

GENERAL IMPORTS AND EXPORTS COMBINED IN MILLIONS OF DOLLARS—
SPECIE VALUES.

| Year. | Germany. | France. | United States. |
|--------------|----------|---------|----------------|
| 1870..... | | 1,354 | 864 |
| 1871..... | | 1,408 | 1,033 |
| 1872..... | 1,853 | 1,802 | 1,124 |
| 1873..... | 2,024 | 1,829 | 1,163 |
| Average..... | 1,988 | 1,598 | 1,046 |
| 1874..... | 1,958 | 1,776 | 1,131 |
| 1875..... | 2,011 | 1,804 | 1,014 |
| 1876..... | 2,055 | 1,840 | 1,018 |
| 1877..... | 2,055 | 1,740 | 1,100 |
| 1878..... | 1,999 | 1,791 | 1,168 |
| 1879..... | 2,054 | 1,917 | 1,278 |
| Average..... | 2,022 | 1,811 | 1,118 |
| 1880..... | 2,076 | 2,069 | 1,586 |
| 1881..... | 2,165 | 2,086 | 1,503 |
| 1882..... | 2,319 | 2,088 | 1,520 |
| 1883..... | 2,395 | 2,033 | 1,482 |
| 1884..... | 2,293 | 1,840 | 1,378 |
| 1885..... | 2,041 | 1,729 | 1,276 |
| Average..... | 2,215 | 1,974 | 1,458 |
| 1886..... | 2,066 | 1,822 | 1,376 |
| 1887..... | 2,191 | 1,772 | 1,424 |
| 1888..... | 2,264 | 1,830 | 1,416 |
| 1889..... | 2,433 | 1,953 | 1,597 |
| 1890..... | 1,996 | 1,986 | 1,680 |
| 1891..... | 2,032 | 2,059 | 1,798 |
| Average..... | 2,164 | 1,904 | 1,548 |

These tables certainly show that, with the exception of France during certain disastrous crop years, all these four countries were prospering until about the years 1892-3. Does all this long period of prosperity following immediately after the cessation of silver coinage show that such cessation was wise? Not necessarily, but these facts do show the wisdom of having a stable money system that gives encouragement to labor and employment to capital. It was the stability of the money systems of Europe and America that gave to the world its most prosperous period. During this period the South was running up its cotton crop to nearly ten millions of bales; a single State, Alabama, had come to produce more iron than all of the United States did in 1860;

railroads had opened up vast wheat fields in the far Northwest. Also in India, in Russia, and the Argentine Republic inventors had been busy and manufacturers were producing double, and sometimes were quadrupling their products of thirty years before. Markets thus became glutted, and the natural result [was that industries were] obliged, some of them, to rest, until consumption should create new demand. New demand has sprung up, prosperity is returning, the working men of England, of Germany, and of France are sharing in it. Why should our laborers, so many of them, remain idle? It is not either in Europe or America a question of tariff. England has and has had free trade. France has had and is having protection, and so of Germany. The United States has fewer burdens than any of them and more resources than all of them combined. There is something in America more destructive than the *phylloxera* was at one time in France, or than the cotton worm ever was in the Southern States. It is the agitation of the silver question, which has destroyed confidence in the future, frightened capital, crippled industries, and thrown labor out of employment. The Chicago platform favors the remonetization of silver at 16 to 1 without waiting for the aid of any other nation. When our first coinage law was passed in 1792, Alexander Hamilton and Thomas Jefferson agreed that the ratio of $15\frac{1}{2}$ to 1 was the proper ratio, because they reckoned that to be the world's market ratio as affected by the coinage laws of other nations. When, in 1802, Jefferson as President stopped the coinage of the silver dollars, he did so because he saw that the silver dollar was being exported to satisfy the demands for silver as created by the markets and coinage laws of other nations. It was about three or four per cent. difference that caused the exportation. When, in 1834, Thomas H. Benton succeeded [in passing through Congress, and Jackson approved, a law changing the ratio from $15\frac{1}{2}$ to 16 for 1, it was done because Benton and Jackson and a majority of Congress saw that a difference of from three to five per cent. as made by the markets and coinage laws of the world was actually driving gold out of the United States. Jefferson and Benton and Jackson knew what they were doing, for they had the facts before their eyes. A large majority of the business men of our country, arguing upon the lessons upon which Jefferson and Jackson acted, believe that if the United States should

by themselves undertake the unlimited coinage of silver, the existing difference of 45 cents between the bullion values of gold and silver dollars would drive out the dearer metal, gold, and leave us on silver alone; that we should have only one metal in circulation, instead of two, as now. This they believe would be bad for the farmer, bad for the working man, and bad for all the business interests of the country. This fear of the future and this agitation for free silver tell us why so much labor is to-day unemployed, and why England, France, and Germany are going ahead of us.

HILARY A. HERBERT.